

AURELIA COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS,
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2015

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AURELIA COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education

Dan Winterhof	President	2015
Jennifer Kaskey	Vice President	2017
Brad Rohwer	Board Member	2015
Sue Sangwin	Board Member	2015
Nicky Sleezer	Board Member	2015

School Officials

Lynn Evans	Superintendent
Vicki Kolpin	District Secretary/Treasurer

Gary E. Horton CPA

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Independent Auditor's Report

To the Board of Education of
Aurelia Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Aurelia Community School District, Aurelia, Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above presents fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Aurelia Community School District as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed Note 12 to the financial statements, Aurelia Community School District adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No 68, Accounting and Financial Reporting for Pensions . an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 12 and 44 through 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U. S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Aurelia Community School District's basic financial statements. We previously audited, in accordance with the standards referred in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 30, 2016 on our consideration of Aurelia Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide and opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Aurelia Community School District's internal control over financial reporting and compliance.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

June 30, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

Aurelia Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$3,249,852 in fiscal 2014 to \$3,167,898 in fiscal 2015, while General Fund expenditures decreased from \$3,230,808 in fiscal 2014 to \$3,202,141 in fiscal 2015. The District's General Fund balance decreased from \$1,358,075 in fiscal 2014 to \$1,322,695 in fiscal 2015.
- The decrease in General Fund revenues was attributable primarily to the loss of the cash reserve levy revenue. The decrease in expenditures was due primarily to lower fuel prices and administration monitoring expenses.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Aurelia Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Aurelia Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining financial statements provide information about activities for which the Aurelia Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, the District's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the non-major governmental funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Aurelia Community School District Annual Financial Report

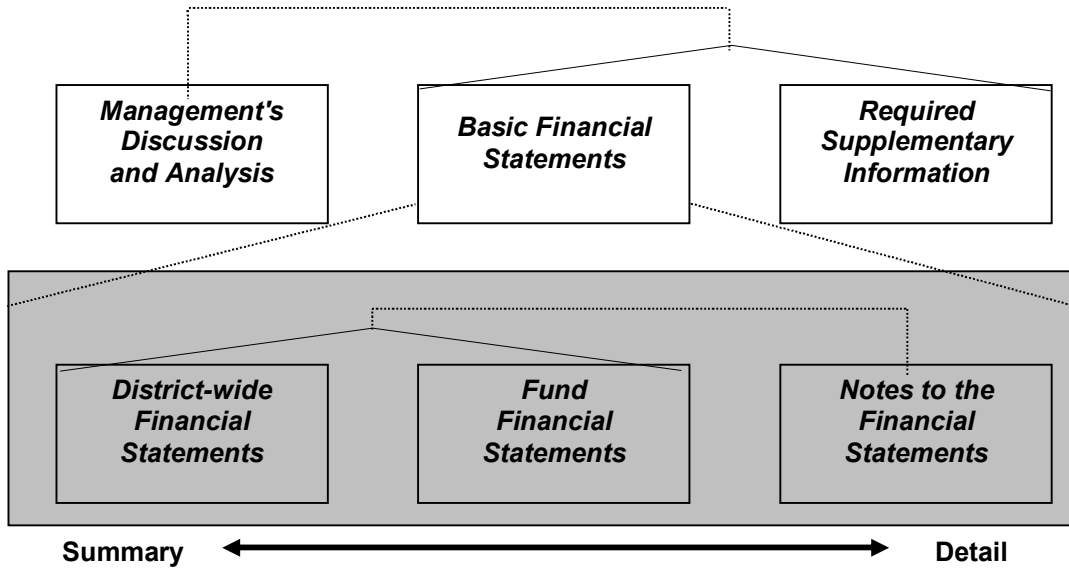


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of deferred outflow/ inflow information	Consumption/ acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of fund balance that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period	Consumption/ acquisition of net position that is applicable to a future reporting period
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall

health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.
 - Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
 - Agency Funds – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2015 compared to June 30, 2014.

Figure A-3

Figure A.5

	Condensed Statement of Net Position						
	Governmental Activities		Business-type Activities		Total School District		Percentage Change
	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014-2015
	\$	\$	\$	\$	\$	\$	
Current and other assets	5,056,142	5,145,943	58,825	59,328	5,114,967	5,205,271	2 %
Capital assets	1,961,014	1,957,952	81,638	73,214	2,042,652	2,031,166	-1%
Total assets	7,017,156	7,103,895	140,463	132,542	7,157,619	7,236,437	1%
Deferred outflows of resources	-	185,563	-	9,426	-	194,989	100%
Long-term liabilities	1,345,230	1,527,518	406	31,523	1,345,636	1,559,041	16%
Other liabilities	567,894	623,512	-	-	567,894	623,512	10%
Total liabilities	1,913,124	2,151,030	406	31,523	1,913,530	2,182,553	14%
Deferred inflows of resources	1,570,018	1,911,039	2,477	12,655	1,572,495	1,923,694	22%
Net Position:							
Invested in capital assets	811,014	942,952	81,638	73,214	892,652	1,016,166	14%
Restricted	1,488,509	1,670,417	-	-	1,488,509	1,670,417	12%
Unrestricted	1,234,491	614,020	55,942	24,576	1,290,433	638,596	-51%
TOTAL NET POSITION	3,534,014	3,227,389	137,580	97,790	3,671,594	3,325,179	-9%

The District's combined net position decreased 9%, or \$346,415, from the prior year. The largest portion of the District's net position is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased \$181,908 or 12% from the prior year. The increase was primarily a result of pension liabilities.

Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, decreased \$651,837, or 51%. The reduction in unrestricted net position was primarily a result of the District's net pension liability net pension expense recorded in the current year.

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions . an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$1,144,085 and \$33,563, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not

available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

Figure A-4 shows the change in net position for the year ended June 30, 2015 compared to the year ended June 30, 2014.

Figure A-4

	Change in Net Position						Percentage Change
	Governmental Activities		Business-type Activities		Total School District		
	2014 (Not restated) \$	2015 \$	2014 (Not restated) \$	2015 \$	2014 (Not restated) \$	2015 \$	
Revenues							
Program Revenues:							
Charges for services	751,203	641,498	70,721	73,893	821,924	715,391	-13%
Operating grants & contributions	428,908	433,578	86,468	81,673	515,376	515,251	<-1%
Capital grants & contributions	-	-	-	-	-	-	0%
General Revenues:							
Property taxes	1,553,146	1,568,219	-	-	1,553,146	1,568,219	1%
Income Surtax	98,063	95,576	-	-	98,063	95,576	-3%
Statewide sales service & use tax	226,010	231,589	-	-	226,010	231,589	2%
Unrestricted state grants	771,319	727,830	-	-	771,319	727,830	-6%
Unrestricted investment earnings	2,361	2,335	40	52	2,401	2,387	-1%
Other revenue	18,182	612,329	-	-	18,182	612,329	3,268%
Total Revenues	3,849,192	4,312,954	157,229	155,618	4,006,421	4,468,572	12%
Expenses:							
Instruction	2,405,829	2,289,780	-	-	2,405,829	2,289,780	-5%
Support services	1,145,329	1,014,687	-	-	1,145,329	1,014,687	-11%
Non-instructional programs	2,950	9,989	163,093	161,845	166,043	171,834	3%
Other expenditures	177,316	161,038	-	-	177,316	161,038	-9%
Total expenses	3,731,424	3,475,494	163,093	161,845	3,894,517	3,637,339	-7%
Change in net position before Transfers	117,768	837,460	(5,864)	(6,227)	111,904	831,233	643%
Transfers	(20,261)	-	20,261	-	-	-	-
CHANGE IN NET POSITION	97,507	837,460	14,397	(6,227)	111,904	831,233	643%
Net position beginning of year, as restated	3,436,507	2,389,929	123,183	104,017	3,559,690	2,493,946	-30%
Net position end of year	3,534,014	3,227,389	137,580	97,790	3,671,594	3,325,179	-9%

Property tax and unrestricted state grants account for 51% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 91% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$4,312,954 and expenses were \$3,475,494. The District works to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2015 compared to the year ended June 30, 2014.

Figure A-5

Total and Net Cost of Governmental Activities

	Total Cost of Services 2014 (Not restated)	Total Cost of Services 2015	Net Cost of Services 2014 (Not restated)	Net Cost of Services 2015
	\$	\$	\$	\$
Instruction	2,405,829	2,289,780	1,451,537	1,385,324
Support Services	1,145,329	1,014,687	1,025,243	948,409
Non-instructional Programs	2,950	9,989	2,950	9,989
Other Expenses	177,316	161,038	71,583	56,696
TOTAL	3,731,424	3,475,494	2,551,313	2,400,418

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$641,498.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$433,578.
- The net cost of governmental activities was financed with 1,895,384 in property and other taxes and \$727,830 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$155,618 and expenses were \$161,845. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Aurelia Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$2,868,673 above last year's ending fund balances of \$2,826,209.

Governmental Fund Highlights

- The District's General Fund financial position is the result of many factors. While some areas of revenue increased for fiscal year 2015 many were restricted. Management implemented cost reductions in an attempt to maintain the District's financial position.
- The General Fund balance decreased from \$1,358,075 to \$1,322,695.
- The Capital Project Fund includes revenues from sales tax and from the physical plant and equipment property tax levy. These two revenue streams and the related expenditures are tracked separately in the District's accounting records, but are combined into one Capital Projects Fund for financial reporting. The monies in the Capital Projects fund will be used for future capital improvements and equipment purchases.

- The Physical Plant and Equipment Levy account balance increased from \$403,514 at June 30, 2014 to \$432,763 at June 30, 2015.
- The Statewide Sales Services and Use Tax account balance increased from \$500,193 at June 30, 2014 to \$538,219 at June 30, 2015.

Proprietary Fund Highlights

School Nutrition Fund net position decreased from \$104,017 (restated) at June 30, 2014 to \$97,790 at June 30, 2015. However, the District also reflected the related expenses for the net OPEB liability, which caused an overall reduction of net position.

BUDGETARY HIGHLIGHTS

The District's receipts were \$29,220 less than budgeted receipts. Total expenditures were less than budgeted. It is the District's practice to budget expenditures at the maximum authorized spending authority. The District then manages or controls spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year. Less money was spent on capital projects than budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District had invested \$2,031,167, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a 1% decrease from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$167,883.

Figure A-6

Capital Assets (net of depreciation)

	Governmental Activities		Business type Activities		Total School District		Percentage Change 2014-2015
	2014	2015	2014	2015	2014	2015	
	\$	\$	\$	\$	\$	\$	
Land	31,400	31,400	-	-	31,400	31,400	0%
Construction in Progress	-	-	-	-	-	-	0%
Buildings	1,537,942	1,503,398	-	-	1,537,942	1,503,398	-2%
Improvements	(2)	61,026	-	-	(2)	61,026	30,514%
Equipment & Furniture	391,674	362,128	81,639	73,215	473,313	435,343	-8%
TOTAL	1,961,014	1,957,952	81,639	73,215	2,042,653	2,031,167	-1%

Long-Term Debt

At June 30, 2015, the District had \$2,107,743 in long-term debt outstanding. This represents a decrease from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Percentage Change
	2014	2015	2014-2015
	\$	\$	
Governmental Activities:			
Revenue Bonds	1,150,000	1,015,000	-12%
Termination Benefits	180,626	125,423	-31%
Net pension liability	1,279,824	921,254	-28%
Net OPEB Liability	14,604	18,525	27%
Total	2,625,054	2,080,202	-21%
Business Type Activities:			
Net pension liability	37,545	27,026	-28%
Net OPEB Liability	406	515	27%
Total	37,951	27,541	-27%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- School financing is highly dependent upon student enrollment. The District's October 2014 enrollment decreased by fifteen students. This drop in enrollment will decrease the District's funding for fiscal year 2016.
- The phase out of the budget guarantee will affect the District's financial resources in the future. Management continues to monitor expenses to ensure good financial health. Costs outside of the Board's control such as health insurance, fuel and utilities continue to be worrisome.
- The District's main priority is to provide the resources needed for excellent student achievement. This is shown as the District's students continue to score well in standardized tests. The Board entered into a whole grade sharing agreement to ensure that the students receive an excellent education. Whole-grade sharing began with the 2011-12 school year.
- The addition of the Local Option Sales Tax has provided resources to improve the District facilities. The District used these funds to make structural improvements. The Board continues to look at projects as funds are available.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Vicki Kolpin, District Secretary/Treasurer and Business Manager, Aurelia Community School District, 300 Ash Street, Aurelia, Iowa, 51005.

BASIC FINANCIAL STATEMENTS

AURELIA COMMUNITY SCHOOL DISTRICT

Statement of Net Position

June 30, 2015

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash, cash equivalents and pooled investments	2,836,157	57,452	2,893,609
Receivables:			
Property tax:			
Delinquent	14,276	-	14,276
Succeeding year	1,559,699	-	1,559,699
Accounts	1,890	10	1,900
Due from other governments	667,708	-	667,708
Unamortized bond issue costs	6,789	-	6,789
Prepaid expenses	59,424	-	59,424
Inventories	-	1,866	1,866
Capital assets, net of accumulated depreciation	1,957,952	73,214	2,031,166
Total assets	7,103,895	132,542	7,236,437
Deferred Outflows of Resources			
Pension related deferred outflows	185,563	9,426	194,989
Liabilities			
Accounts payable	604,791	-	604,791
Salaries and benefits payable	9,246	-	9,246
Accrued interest payable	8,663	-	8,663
Unamortized bond premium	812	-	812
Long-term liabilities:			
Portion due within one year:			
Bonds payable	140,000	-	140,000
Termination benefits	46,852	-	46,852
Portion due more than one year:			
Bonds payable	875,000	-	875,000
Termination benefits	78,571	-	78,571
Net pension liability	368,570	31,008	399,578
Net OPEB liability	18,525	515	19,040
Total liabilities	2,151,030	31,523	2,182,553
Deferred Inflows of Resources:			
Unavailable property tax revenue	1,559,699	-	1,559,699
Pension related deferred inflows	351,340	10,307	361,647
Other	-	2,348	2,348
Total deferred inflows of resources	1,911,039	12,655	1,923,694

AURELIA COMMUNITY SCHOOL DISTRICT

Statement of Net Position

June 30, 2015

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Net position			
Net investment in capital assets	942,952	73,214	1,016,166
Restricted for:			
Categorical funding	258,525	-	258,525
Management levy	262,630	-	262,630
Physical plant and equipment levy	432,763	-	432,763
Student activities	22,531	-	22,531
Special purposes by donors	15,738	-	15,738
School infrastructure	538,219	-	538,219
Debt service	140,011	-	140,011
Unrestricted	614,020	24,576	638,596
Total net position	3,227,389	97,790	3,325,179

AURELIA COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2015

Function/Program	Expenses	Program Revenues		
		Charges for	Operating	Capital Grants,
		Services	Grants,	Contributions
			and Restricted	and Restricted
			Interest	Interest
	\$	\$	\$	\$
Governmental Activities:				
Instruction:				
Regular	1,594,195	387,464	227,592	-
Special	440,852	156,455	11,741	-
Other	254,733	31,301	89,903	-
	<u>2,289,780</u>	<u>575,220</u>	<u>329,236</u>	<u>-</u>
Support services:				
Student	104,414	20,869	-	-
Instructional staff	51,292	-	-	-
Administration	363,945	45,409	-	-
Operation and maintenance of plant	309,991	-	-	-
Transportation	185,045	-	-	-
	<u>1,014,687</u>	<u>66,278</u>	<u>-</u>	<u>-</u>
Non-instructional programs	<u>9,989</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Long-term debt interest	18,825	-	-	-
AEA flowthrough	104,342	-	104,342	-
Depreciation (unallocated)*	37,871	-	-	-
	<u>161,038</u>	<u>-</u>	<u>104,342</u>	<u>-</u>
Total governmental activities	<u>3,475,494</u>	<u>641,498</u>	<u>433,578</u>	<u>-</u>
Business Type Activities:				
Non-instructional programs:				
Food service operations	<u>161,845</u>	<u>73,893</u>	<u>81,673</u>	<u>-</u>
Total	<u>3,637,339</u>	<u>715,391</u>	<u>515,251</u>	<u>-</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Capital outlay				
Income surtax				
Statewide sales, services and use tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Change in net position				
Net position beginning of year as restated				
Net position end of year				

*This amount excludes the depreciation that is included in the direct expenses of the various programs.

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$	\$	\$
(979,139)	-	(979,139)
(272,656)	-	(272,656)
(133,529)	-	(133,529)
<u>(1,385,324)</u>	<u>-</u>	<u>(1,385,324)</u>
(83,545)	-	(83,545)
(51,292)	-	(51,292)
(318,536)	-	(318,536)
(309,991)	-	(309,991)
(185,045)	-	(185,045)
<u>(948,409)</u>	<u>-</u>	<u>(948,409)</u>
<u>(9,989)</u>	<u>-</u>	<u>(9,989)</u>
(18,825)	-	(18,825)
-	-	-
<u>(37,871)</u>	<u>-</u>	<u>(37,871)</u>
<u>(56,696)</u>	<u>-</u>	<u>(56,696)</u>
(2,400,418)	-	(2,400,418)
<u>-</u>	<u>(6,279)</u>	<u>(6,279)</u>
<u>(2,400,418)</u>	<u>(6,279)</u>	<u>(2,406,697)</u>
1,410,730	-	1,410,730
157,489	-	157,489
95,576	-	95,576
231,589	-	231,589
727,830	-	727,830
2,335	52	2,387
<u>612,329</u>	<u>-</u>	<u>612,329</u>
<u>3,237,878</u>	<u>52</u>	<u>3,237,930</u>
837,460	(6,227)	831,233
<u>2,389,929</u>	<u>104,017</u>	<u>2,493,946</u>
<u>3,227,389</u>	<u>97,790</u>	<u>3,325,179</u>

AURELIA COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2015

	General	Capital Projects	Management Levy	Nonmajor	Total
	\$	\$	\$	\$	\$
Assets					
Cash, cash equivalents and pooled investments	1,276,312	939,880	440,031	179,934	2,836,157
Receivables:					
Property tax:					
Delinquent	11,751	1,434	1,091	-	14,276
Succeeding year	1,267,007	160,692	132,000	-	1,559,699
Accounts	1,890	-	-	-	1,890
Interfund receivable	49,292	-	-	7,009	56,301
Prepaid expense	59,424	-	-	-	59,424
Due from other governments	632,052	35,656	-	-	667,708
Total assets	3,297,728	1,137,662	573,122	186,943	5,195,455
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	595,026	5,988	3,777	-	604,791
Salaries and benefits payable	9,246	-	-	-	9,246
Interfund payable	7,009	-	49,292	-	56,301
Total liabilities	611,281	5,988	53,069	-	670,338
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	1,267,007	160,692	132,000	-	1,559,699
Income surtax	96,745	-	-	-	96,745
Total deferred inflows of resources	1,363,752	160,692	132,000	-	1,656,444
Fund balances:					
Restricted for:					
Categorical funding	258,525	-	-	-	258,525
Debt service	-	-	-	148,674	148,674
Management levy	-	-	388,053	-	388,053
Student activities	-	-	-	22,531	22,531
Special purposes by donors	-	-	-	15,738	15,738
School infrastructure	-	538,219	-	-	538,219
Physical plant and equipment	-	432,763	-	-	432,763
Unassigned	1,064,170	-	-	-	1,064,170
Total fund balances	1,322,695	970,982	388,053	186,943	2,868,673
Total liabilities, deferred inflows of resources and fund balances	3,297,728	1,137,662	573,122	186,943	5,195,455

AURELIA COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position

June 30, 2015

		\$
Total governmental fund balances (Exhibit C)		2,868,673
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore, are not reported as assets in the governmental funds.		1,957,952
Other long-term assets are not available to pay for current year expenditures and therefore, are recognized as deferred inflows of resources in the governmental funds.		96,745
Accrued interest payable on long-term liabilities is not due and payable in the current year and, therefore, is not reported as a liability in the governmental funds		(8,663)
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	185,563	
Deferred inflows of resources	<u>(351,340)</u>	(165,777)
Long-term liabilities, including termination benefits and net pension liability, are not due and payable in the current year and therefore, are not reported as liabilities in the governmental funds.		<u>(1,521,541)</u>
Net position of governmental activities (Exhibit A)		<u><u>3,227,389</u></u>

AURELIA COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2015

	General	Capital	Management	Nonmajor	Total
	\$	Projects	Levy	\$	\$
Revenues:					
Local sources:					
Local tax	1,383,899	157,489	119,849	-	1,661,237
Tuition	534,493	-	-	-	534,493
Other	90,227	4,131	4,625	14,727	113,710
State sources	1,081,440	232,798	920	-	1,315,158
Federal sources	77,839	-	-	-	77,839
Total revenues	<u>3,167,898</u>	<u>394,418</u>	<u>125,394</u>	<u>14,727</u>	<u>3,702,437</u>
Expenditures:					
Current:					
Instruction:					
Regular	1,611,996	895	50,388	10	1,663,289
Special	440,198	-	-	-	440,198
Other	241,346	-	-	13,387	254,733
	<u>2,293,540</u>	<u>895</u>	<u>50,388</u>	<u>13,397</u>	<u>2,358,220</u>
Support services:					
Student	101,595	-	1,555	-	103,150
Instructional staff	51,281	-	-	-	51,281
Administration	336,368	-	23,463	-	359,831
Operation and maintenance of plant	185,357	166,584	17,415	-	369,356
Transportation	129,658	-	18,114	-	147,772
	<u>804,259</u>	<u>166,584</u>	<u>60,547</u>	<u>-</u>	<u>1,031,390</u>
Non-instructional programs	<u>-</u>	<u>-</u>	<u>9,989</u>	<u>-</u>	<u>9,989</u>
Other expenditures:					
Facilities acquisition	-	1,610	-	-	1,610
Long-term debt:					
Principal	-	-	-	135,000	135,000
Interest and fiscal charges	-	-	-	19,500	19,500
AEA flowthrough	104,342	-	-	-	104,342
	<u>104,342</u>	<u>1,610</u>	<u>-</u>	<u>154,500</u>	<u>260,452</u>
Total expenditures	<u>3,202,141</u>	<u>169,089</u>	<u>120,924</u>	<u>167,897</u>	<u>3,660,051</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(34,243)</u>	<u>225,329</u>	<u>4,470</u>	<u>(153,170)</u>	<u>42,386</u>
Other financing sources (uses):					
Sales of materials and equipment	78	-	-	-	78
Transfers in	-	-	-	159,269	159,269
Transfers out	(1,215)	(158,054)	-	-	(159,269)
Total other financing sources (uses)	<u>(1,137)</u>	<u>(158,054)</u>	<u>-</u>	<u>159,269</u>	<u>78</u>
Changes in fund balances	<u>(35,380)</u>	<u>67,275</u>	<u>4,470</u>	<u>6,099</u>	<u>42,464</u>
Fund balances beginning of year	<u>1,358,075</u>	<u>903,707</u>	<u>383,583</u>	<u>180,844</u>	<u>2,826,209</u>
Fund balances end of year	<u><u>1,322,695</u></u>	<u><u>970,982</u></u>	<u><u>388,053</u></u>	<u><u>186,943</u></u>	<u><u>2,868,673</u></u>

AURELIA COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances-Governmental Funds to the
Statement of Activities

Year ended June 30, 2015

	\$	\$
Change in fund balances - total governmental funds (Exhibit E)		42,464
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the Statement of Activities and allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense, loss on disposal of capital assets and capital outlay expenditures in the current year are as follows:		
Loss on disposal of capital assets	(662)	
Expenditures for capital outlays	157,059	
Depreciation expense	<u>(159,459)</u>	(3,062)
Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities.		2,558
Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position.		135,000
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities interest expense is recognized as the interest accrues, regardless of when it is due.		(520)
The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position.		127,699
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Termination benefits	55,203	
Pension expense	482,039	
Other postemployment benefits	<u>(3,921)</u>	<u>533,321</u>
Changes in net position of governmental activities (Exhibit B)		<u><u>837,460</u></u>

AURELIA COMMUNITY SCHOOL DISTRICT

Statement of Net Position
Proprietary Fund

June 30, 2015

	Nonmajor School Nutrition
	<u>\$</u>
Assets	
Current assets:	
Cash, cash equivalents and pooled investments	57,452
Accounts receivable	10
Inventories	1,866
Total current assets	<u>59,328</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>73,214</u>
Total assets	<u>132,542</u>
Deferred Outflows of Resources	
Pension related deferred outflows	<u>9,426</u>
Liabilities	
Current liabilities:	
Deferred revenue	<u>2,348</u>
Noncurrent liabilities:	
Net pension liability	31,008
Net OPEB Liability	515
Total noncurrent liabilities	<u>31,523</u>
Total Liabilities	<u>33,871</u>
Deferred Inflows of Resources	
Pension related deferred inflows	<u>10,307</u>
Net position	
Investment in capital assets	73,214
Unrestricted	<u>24,576</u>
Total net position	<u>97,790</u>

AURELIA COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund

Year ended June 30, 2015

	Nonmajor School Nutrition
	<u>\$</u>
Operating revenues:	
Local sources:	
Charges for service	<u>73,893</u>
Operating expenses:	
Non-instructional programs:	
Salaries	44,444
Benefits	17,832
Purchased services	6,010
Supplies	85,135
Depreciation	8,424
Total operating expenses	<u>161,845</u>
Operating income (loss)	<u>(87,952)</u>
Non-operating revenues:	
State sources	1,310
Federal sources	80,363
Interest on investments	52
Total non-operating revenues	<u>81,725</u>
Change in net position	(6,227)
Net position beginning of year, as restated	<u>104,017</u>
Net position end of year	<u><u>97,790</u></u>

AURELIA COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2015

	Nonmajor School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	73,802
Cash paid to employees for services	(63,841)
Cash paid to suppliers for goods or services	(82,866)
Net cash used by operating activities	<u>(72,905)</u>
Cash flows from non-capital financing activities:	
State grants received	1,310
Federal grants received	73,071
Net cash provided by non-capital financing activities	<u>74,381</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>52</u>
Net increase (decrease) in cash and cash equivalents	1,528
Cash and cash equivalents at beginning of year	<u>55,924</u>
Cash and cash equivalents at end of year	<u><u>57,452</u></u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating income (loss)	(87,952)
Adjustments to reconcile operating income (loss) to net cash used by operating activities:	
Commodities used	7,292
Depreciation	8,424
Decrease (increase) in inventories	987
Decrease (increase) in accounts receivable	38
(Decrease) increase in deferred revenue	(129)
Decrease in net pension liability	(6,537)
Increase in deferred outflows of resources	(5,444)
Increase in deferred inflows of resources	10,307
(Decrease) increase in other postemployment benefits	<u>109</u>
Net cash used by operating activities	<u><u>(72,905)</u></u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2015, the District received \$7,292 of federal commodities.

AURELIA COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Position
Fiduciary Funds

June 30, 2015

	Private Purpose Trust Scholarship	Agency
	\$	\$
Assets		
Cash, cash equivalents and pooled investments	5,178	120
Accrued interest receivable	2	-
Total Assets	<u>5,180</u>	<u>120</u>
Liabilities		
Other liabilities	-	120
Net Position		
Reserved for scholarships	<u>5,180</u>	<u>-</u>

AURELIA COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Position
Fiduciary Funds

Year ended June 30, 2015

	Private Purpose Trust Scholarship
	<u>\$</u>
Additions:	
Local sources:	
Interest	<u>7</u>
Deductions	
Support services:	
Scholarships awarded	<u>70</u>
Change in net position	(63)
Net position beginning of year	<u>5,243</u>
Net position end of year	<u><u>5,180</u></u>

AURELIA COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2015

1. Summary of Significant Accounting Policies

Aurelia Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the City of Aurelia Iowa and the predominately agricultural territory in a portion of Cherokee and Buena Vista Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Aurelia Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) The potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The Aurelia Community School District Foundation is a component unit. The Foundation's financial statements have been blended with the financial statements of the District and are included as a Nonmajor Governmental, District Support Trust Fund.

The Aurelia Community School District Foundation was established to operate exclusively for the benefit of the Aurelia Community School District. The foundation may 1) receive, administer, and distribute funds, property and gifts of any kind, 2) develop, administer and distribute scholarships, 3) develop and administer programs to enhance classroom instruction and 4) may take any other action deemed necessary or desirable to enhance or develop educational programs or facilities. The District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the non fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in following categories:

Net investment capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements . Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instruction, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The Management Levy Fund is used to pay the costs of unemployment benefits; early retirement benefits; insurance agreements; the costs of liability insurance to protect the school districts from tort liability, loss of property, and environmental hazards; and judgments or settlements relating to such liability.

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net position and changes in net position. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements, which require income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations, and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants, and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the district's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications . committed, assigned, and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit, which are stated at cost.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable . Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the district is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2014.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants, and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets . Capital assets, which include property, furniture and equipment and intangibles, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	5,000
Buildings	1,500
Improvements other than buildings	1,500
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	1,500

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Improvements other than buildings	5-25 years
Intangible assets	3-10 years
Furniture and equipment	3-15 years

The District's collection of library books and other similar materials are not capitalized. These collections are unencumbered, held for public exhibition and education, protected, cared for and preserved and subject to District policy that requires proceeds from the sale of these items, if any, to be used to acquire other collection items.

Deferred Outflows of Resources . Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Advances from Grantors . Grant proceeds which have been received by the District but will be spent in a succeeding fiscal year.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use. Employees are not paid for unused vacation and sick leave benefits when employment with the District ends.

Long-term Liabilities . In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Pensions . For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees Retirement System (IPERS) and additions to/deductions from IPERS fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources . Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not

collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivables that will not be recognized until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Fund Equity . In the governmental fund financial statements fund balances are classified as follows:

Restricted . Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed . Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned . All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, expenditures did not exceed the amounts budgeted.

2. Cash, Cash Equivalents and Pooled Investments

The District's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
		\$
Nonmajor Funds:		
Student Activity Fund	General Fund	1,215
Debt Service Fund	Capital Projects Fund	158,054

The transfers from the General Fund to the Student Activity Fund reflect reimbursement for costs allowed to be paid from the General Fund.

4. Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2015 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
		\$
Activity Fund	General Fund	7,009
General Fund	Management Fund	49,292

5. Capital Assets

Capital assets activity for the year ended June 30, 2015 was as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	31,400	-	-	31,400
Construction in progress	-	-	-	-
Total capital assets not being depr.	<u>31,400</u>	<u>-</u>	<u>-</u>	<u>31,400</u>
Capital assets being depreciated:				
Buildings	2,295,119	-	-	2,295,119
Improvements other than buildings	138,013	64,355	-	202,368
Furniture and equipment	1,934,119	92,704	3,799	2,023,024
Total capital assets being deprec.	<u>4,367,251</u>	<u>157,059</u>	<u>3,799</u>	<u>4,520,511</u>
Less accumulated depreciation for:				
Buildings	757,177	34,544	-	791,721
Improvements other than buildings	138,015	3,327	-	141,342
Furniture and equipment	1,542,445	121,588	3,137	1,660,896
Total accumulated depreciation	<u>2,437,637</u>	<u>159,459</u>	<u>3,137</u>	<u>2,593,959</u>
Total capital assets being depreciated, net	<u>1,929,614</u>	<u>(2,400)</u>	<u>662</u>	<u>1,926,552</u>
Governmental activities capital assets, net	<u>1,961,014</u>	<u>(2,400)</u>	<u>662</u>	<u>1,957,952</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	125,549	-	-	125,549
Less accumulated depreciation	43,910	8,424	-	52,334
Business type activities capital assets, net	81,639	(8,424)	-	73,215

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	45,353
Support services:	
Student support	14,864
Administration	3,689
Operation and maintenance	20,462
Transportation	37,220
	121,588
Unallocated depreciation	37,871
Total governmental activities depreciation expense	159,459
Business type activities:	
Food service operations	8,424

6. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2015, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
Governmental activities:					
Revenue bonds	1,150,000	-	135,000	1,015,000	140,000
Termination benefits	180,626	-	55,203	125,423	46,852
Net pension liability	1,279,824	-	358,570	921,254	-
Net OPEB obligation	14,604	3,921	-	18,525	-
	2,625,054	3,921	548,773	2,080,202	186,852
Business type activities:					
Net pension liability	37,545	-	10,519	27,026	-
Net OPEB liability	406	109	-	515	-
	37,951	109	10,519	27,541	-

Termination Benefits

The District offers a voluntary early retirement plan to its employees. Eligible employees must have completed at least ten years of full-time service to the District and must have reached the age of fifty-

five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education.

At June 30, 2015, the District has obligations to nine participants with a total liability of \$125,423. Actual early retirement expenditures for the year ended June 30, 2015 totaled \$55,203.

Revenue Bonds

Details of the District's June 30, 2015 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of July 2012			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2016	1.00	140,000	16,625	156,625
2017	1.25	140,000	15,050	155,050
2018	1.50	140,000	13,125	153,125
2019	1.75	145,000	10,806	155,806
2020	2.00	145,000	8,088	153,088
2021	2.10-2.25	305,000	6,806	311,806
		<u>1,015,000</u>	<u>70,500</u>	<u>1,085,500</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$1,275,000 bonds issued in July 2012. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2021. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 90% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$1,085,500. For the current year, principal of \$135,000 and \$18,000 of interest was paid on the bonds and total statewide sales, services and use tax revenues were \$231,589.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds include the following provisions:

- Bonds maturing after January 1, 2017, may be called for redemption by the issuer and paid before maturity on said date or any date thereafter.
- \$127,500 of the proceeds from the bonds issue have been placed in a reserve account with a trustee. The reserve account may be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The reserve account is part of the District's Capital Projects Fund.
- Proceeds from the statewide sales, services and use tax shall be placed in a revenue account. Monies in the revenue account shall be transferred from the revenue account to the sinking account. Money in the sinking account shall be used to pay the interest and principal on the bonds. Any surplus monies remaining in the revenue fund, after the required transfer to the sinking account, may be used for any lawful purpose. The sinking fund is part of the Debt Service Fund.

7. Pension Plan

Plan Description . IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public

Employees Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits . A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a regular member's monthly IPERS benefits includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits . A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions . Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the entry age normal actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, regular members contributed 5.95 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2015 were \$131,445.

Net Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions . At June 30, 2015, the District reported a liability of \$948,280 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's collective proportion was 0.023911 percent, which was an increase of 0.000967 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$72,717. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows of Resources	Deferred Inflows of Resources
	\$	\$
Differences between expected and actual experience	10,306	-
Changes in assumptions	41,850	-
Net difference between projected and actual earnings on pension plan investments	-	361,647
Change in proportion and differences between District contributions and proportionate share of contributions	7,406	-
District contributions subsequent to the measurement date	131,445	-
Total	191,007	361,647

\$131,445 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
	\$
2016	104,328
2017	104,328
2018	104,328
2019	104,328
2020	3,897
Total	421,209

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions . The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
	%	
US Equity	23	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	100	

Discount Rate . The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate . The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%) \$	Discount Rate (7.5%) \$	1% Increase (8.5%) \$
District proportionate share of the net pension liability	1,791,749	948,280	236,305

Pension Plan Fiduciary Net Position . Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS's website at www.ipers.org.

Payables to the Pension Plan . At June 30, 2015, the District reported payables to the defined benefit pension plan of \$20,984 for legally required employer contributions and \$13,982 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

8. Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 37 active and 3 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

	\$
Annual required contribution	39,000
Interest on net OPEB obligation	600
Adjustment to annual required contribution	(570)
Annual OPEB cost	39,030
Contributions made	(35,000)
Increase in net OPEB obligation	4,030
Net OPEB obligation beginning of year	15,010
Net OPEB obligation end of year	19,040

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2012. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, the District contributed \$35,000 to the medical plan. Plan members eligible for benefits contributed \$9,217, or 100% of the premium costs, less amount covered by district's early retirement plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
	\$	%	\$
2010	35,000	100%	-
2011	35,000	100%	-
2012	35,000	100%	-
2013	39,000	87%	5,000
2014	39,010	74%	15,010
2015	39,000	90%	19,040

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$367,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$367,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,380,000, and the ratio of the UAAL to covered payroll was 26.6%. As of June 30, 2015, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the alternative measurement method was used. The actuarial assumptions includes a 4% discount rate based on the District's funding policy. The projected annual medical trend rate is 8%. The ultimate medical trend rate is 5%.

Mortality rates are from the RP2014 projected to 2025 using Scale MP-14, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from GASB 45, Table 1, paragraph 35(b).

Projected claim costs of the medical plan are \$15,760 per year for retirees less than age 65. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

9. Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media, and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$104,342 for the year ended June 30, 2015, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

11. Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2015 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
	\$
Gifted and talented	79,173
Returning dropout and dropout prevention program	36,224
Teacher salary supplement	22,841
Home school assistance program	48,564
Educator quality, professional development	39,565
Limited English proficiency	2,260
Early literacy	24,115
Teacher leadership	5,783
	<u>258,525</u>

12. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions . an Amendment of GASB No. 27 was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	Governmental Activities	Business Type Activities
	\$	\$
Net position June 30, 2014, as previously reported	3,534,014	137,580
Net pension liability at June 30, 2014	(1,279,824)	(37,545)
Deferred outflows of resources		
Related to contributions made after the June 30, 2013 measurement date	135,739	3,982
Net position July 1, 2014, as restated	<u>2,389,929</u>	<u>104,017</u>

REQUIRED SUPPLEMENTAL INFORMATION

AURELIA COMMUNITY SCHOOL DISTRICT

Budget Comparison Schedule of Revenues, Expenditures/Expenses, and Changes in Balances
Budget and Actual - All Governmental Funds and Proprietary Fund
Required Supplementary Information

Year ended June 30, 2015

	Governmental Fund Types Actual \$	Proprietary Fund Type Actual \$	Net \$	Budgeted Amounts		Final to Actual Variance - Positive (Negative) \$
				Original \$	Final \$	
Revenues:						
Local sources	2,309,440	73,945	2,383,385	2,614,267	2,614,267	(230,882)
State sources	1,315,158	1,310	1,316,468	1,134,008	1,134,008	182,460
Federal sources	77,839	80,363	158,202	139,000	139,000	19,202
Total revenues	<u>3,702,437</u>	<u>155,618</u>	<u>3,858,055</u>	<u>3,887,275</u>	<u>3,887,275</u>	<u>(29,220)</u>
Expenditures/Expenses:						
Instruction	2,358,220	-	2,358,220	2,521,500	2,521,500	163,280
Support services	1,031,390	-	1,031,390	1,352,500	1,352,500	321,110
Noninstructional programs	9,989	161,845	171,834	178,000	178,000	6,166
Other expenditures	260,452	-	260,452	529,249	529,249	268,797
Total expenditures/expenses	<u>3,660,051</u>	<u>161,845</u>	<u>3,821,896</u>	<u>4,581,249</u>	<u>4,581,249</u>	<u>759,353</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	42,386	(6,227)	36,159	(693,974)	(693,974)	730,133
Other financing sources (uses) net	<u>78</u>	<u>-</u>	<u>78</u>	<u>1,000</u>	<u>1,000</u>	<u>(922)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses	42,464	(6,227)	36,237	(692,974)	(692,974)	729,211
Balance beginning of year as restated	<u>2,826,209</u>	<u>104,017</u>	<u>2,930,226</u>	<u>2,396,076</u>	<u>2,396,076</u>	<u>534,150</u>
Balance end of year	<u><u>2,868,673</u></u>	<u><u>97,790</u></u>	<u><u>2,966,463</u></u>	<u><u>1,703,102</u></u>	<u><u>1,703,102</u></u>	<u><u>1,263,361</u></u>

See accompanying independent auditor's report

AURELIA COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2015

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Internal Service, Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District did not amend its budget.

During the year ended June 30, 2015, expenditures did not exceed the amounts budgeted.

AURELIA COMMUNITY SCHOOL DISTRICT

Schedule of the District's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
Last Fiscal Year*

Required Supplementary Information

	<u>2015</u>
District's proportion of the net pension liability	0.023911%
District's proportionate share of the net pension liability	948,280
District's covered-employee payroll	1,471,952
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	64.42%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amounts presented for each fiscal year were determined as of June 30.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

AURELIA COMMUNITY SCHOOL DISTRICT

Schedule of District Contributions

Iowa Public Employees' Retirement System
Last 10 Fiscal Years

Required Supplementary Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Statutorily required contribution	131,445	139,721	130,468	124,117	97,906	91,575	93,786	99,606	91,777	87,908
Contributions in relation to the statutorily required contribution	<u>131,445</u>	<u>139,721</u>	<u>130,468</u>	<u>124,117</u>	<u>97,906</u>	<u>91,575</u>	<u>93,786</u>	<u>99,606</u>	<u>91,777</u>	<u>87,908</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	1,471,952	1,564,620	1,504,821	1,538,009	1,408,720	1,377,062	1,476,938	1,646,380	1,596,122	158,835
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.65%	6.35%	6.05%	5.75%	5.75%

AURELIA COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Pension Liability

Year ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups - emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers - from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decrease the inflation assumption from 3.25 percent to 3.00 percent.
- Decrease the assumed rate of interest on member accounts from 4.00 percent to 3.75% percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL. UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

AURELIA COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Pension Liability

Year ended June 30, 2015

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

Adjusted salary increase assumptions to service based assumptions.

Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.

Lowered the inflation assumption from 3.50 percent to 3.25 percent.

Lowered disability rates for sheriffs and deputies and protection occupation members.

AURELIA COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the Retiree Health Plan

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a) \$	Actuarial Accrued Liability (AAL) (b) \$	Unfunded AAL (UAAL) (b-a) \$	Funded Ratio (a/b) %	Covered Payroll (c) \$	UAAL as a Percentage of Covered Payroll ((b-a)/c) %
2010	July 1, 2009	-	389,000	389,000	0.0%	1,043,000	37.3%
2011	July 1, 2009	-	389,000	389,000	0.0%	1,244,000	31.3%
2012	July 1, 2009	-	389,000	389,000	0.0%	1,350,000	28.8%
2013	July 1, 2012	-	367,000	367,000	0.0%	1,380,000	26.6%
2014	July 1, 2012	-	367,000	367,000	0.0%	1,470,000	25.0%
2015	July 1, 2012	-	367,000	367,000	0.0%	1,380,000	26.6%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SUPPLEMENTAL INFORMATION

AURELIA COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2015

Assets	Special Revenue Funds			
	Student Activity	District Support Trust	Debt Service	Total
	\$	\$	\$	\$
Cash, cash equivalents and pooled investments	15,522	15,738	148,674	179,934
Interfund receivable	7,009	-	-	7,009
Total assets	22,531	15,738	148,674	186,943
Liabilities, Deferred Inflows of Resources & Fund Balances				
Liabilities	-	-	-	-
Deferred inflows of resources	-	-	-	-
Fund balances:				
Restricted for:				
Debt service	-	-	148,674	148,674
Student activities	22,531	-	-	22,531
Special purposes by donors	-	15,738	-	15,738
Total fund balances	22,531	15,738	148,674	186,943
Total liabilities, deferred inflows of resources and fund balances	22,531	15,738	148,674	186,943

AURELIA COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Funds

Year ended June 30, 2015

	Special Revenue Funds			
	Student Activity	District Support Trust	Debt Service	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Other	14,231	475	21	14,727
Expenditures:				
Current:				
Instruction:				
Regular	-	10	-	10
Other	13,387	-	-	13,387
Other expenditures:				
Long-term debt:				
Principal	-	-	135,000	135,000
Interest and fiscal charges	-	-	19,500	19,500
Total expenditures	13,387	10	154,500	167,897
Excess (deficiency) of revenues over (under) expenditures	844	465	(154,479)	(153,170)
Other financing sources (uses):				
Transfers in	1,215	-	158,054	159,269
Changes in fund balances	2,059	465	3,575	6,099
Fund balance beginning of year	20,472	15,273	145,099	180,844
Fund balance end of year	22,531	15,738	148,674	186,943

AURELIA COMMUNITY SCHOOL DISTRICT

Combining Balance Sheets
Capital Projects Accounts

June 30, 2015

Assets	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
	\$	\$	\$
Cash, cash equivalents and pooled investments	503,137	436,743	939,880
Receivables:			
Property tax:			
Delinquent	-	1,434	1,434
Succeeding year	-	160,692	160,692
Due from other governments	35,656	-	35,656
Total assets	538,793	598,869	1,137,662
Liabilities, Deferred Inflows of Resources & Fund Balances			
Liabilities:			
Accounts payable	574	5,414	5,988
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	160,692	160,692
Fund balances:			
Restricted for:			
School infrastructure	538,219	-	538,219
Physical plant and equipment	-	432,763	432,763
Total fund balances	538,219	432,763	970,982
Total liabilities, deferred inflows of resources and fund balances	538,793	598,869	1,137,662

AURELIA COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Chnages in Fund Balances
Capital Projects Accounts

Year ended June 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	-	157,489	157,489
Other	-	4,131	4,131
State sources	231,589	1,209	232,798
Total revenues	<u>231,589</u>	<u>162,829</u>	<u>394,418</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	895	-	895
Support services:			
Operation and maintenance of plant	34,614	131,970	166,584
Other expenditures:			
Facilities acquisition	-	1,610	1,610
Total expenditures	<u>35,509</u>	<u>133,580</u>	<u>169,089</u>
Excess (deficiency) of revenues over (under) expenditures	196,080	29,249	225,329
Other financing sources (uses):			
Transfers out	<u>(158,054)</u>	<u>-</u>	<u>(158,054)</u>
Change in fund balance	38,026	29,249	67,275
Fund balances beginning of year	<u>500,193</u>	<u>403,514</u>	<u>903,707</u>
Fund balance end of year	<u><u>538,219</u></u>	<u><u>432,763</u></u>	<u><u>970,982</u></u>

AURELIA COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2015

<u>Account</u>	Balance Beginning of Year	Revenues	Expenditures	Intra-Fund Transfers	Balance End of Year
	\$	\$	\$	\$	\$
Drama	718	854	685	-	887
Vocal	1,538	212	-	-	1,750
Instrumental music	(55)	1,377	1,266	141	197
Music fund raiser	977	-	-	-	977
Interest	6,500	-	-	(6,500)	-
FCCLA	209	-	-	-	209
Travel group	-	500	351	-	149
JH sports	(4,206)	6,340	7,145	11,773	6,762
Annual staff	303	-	-	-	303
K-8 student council	7,471	4,948	3,940	-	8,479
Got milk	231	-	-	-	231
Aurelia sports	948	-	-	-	948
Cheerleaders	1,639	-	-	-	1,639
Beginning accruals	31	-	-	(31)	-
Ending accruals	4,168	-	-	(4,168)	-
Totals	<u>20,472</u>	<u>14,231</u>	<u>13,387</u>	<u>1,215</u>	<u>22,531</u>

AURELIA COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities
Agency Fund

Year ended June 30, 2015

	<u>Flower Fund</u>
	\$
Balance beginning of year	204
Additions:	
Collections	32
Deductions:	
Miscellaneous	<u>116</u>
Balance end of year	<u><u>120</u></u>

AURELIA COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Fund Types

For the Last Ten Years

	Modified Accrual Basis									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenues:										
Local sources:										
Local tax	1,661,237	1,601,523	1,911,763	1,920,132	1,856,829	1,744,474	1,662,738	1,485,638	1,519,959	1,419,526
Tuition	534,493	585,051	472,703	443,181	123,890	138,997	117,683	121,938	140,465	111,005
Other	113,710	171,244	155,277	207,566	87,571	104,558	170,139	160,240	140,157	145,900
State sources	1,315,158	1,358,569	1,097,670	1,022,279	1,158,911	997,561	1,201,951	1,193,409	1,101,790	1,244,153
Federal sources	77,839	67,668	69,618	89,537	190,806	251,846	112,588	88,934	91,816	106,308
Total revenues	<u>3,702,437</u>	<u>3,784,055</u>	<u>3,707,031</u>	<u>3,682,695</u>	<u>3,418,007</u>	<u>3,237,436</u>	<u>3,265,099</u>	<u>3,050,159</u>	<u>2,994,187</u>	<u>3,026,892</u>
Expenditures:										
Instruction:										
Regular	1,663,289	1,515,563	1,491,527	1,600,932	1,201,610	1,211,335	1,288,564	1,363,919	1,313,458	1,213,900
Special	440,198	485,590	389,038	378,042	307,678	341,726	266,311	296,427	246,757	205,141
Other	254,733	269,435	301,735	235,517	366,576	365,905	354,944	381,131	383,248	393,152
Support services:										
Student	103,150	98,924	89,388	85,884	68,509	64,369	59,732	81,898	78,963	76,756
Instructional staff	51,281	25,318	21,939	14,963	7,492	6,896	5,281	8,079	5,728	6,599
Administration	359,831	445,774	445,207	433,162	301,674	282,011	296,444	346,494	343,778	332,194
Operation and maintenance	369,356	350,814	249,512	268,274	274,408	345,646	327,351	317,755	291,822	288,159
Transportation	147,772	267,693	146,085	221,038	110,233	123,414	77,373	169,415	144,668	112,294
Non-instructional programs	9,989	2,950	2,660	2,658	2,142	2,930	1,518	12,825	12,519	12,906
Other expenditures:										
Facilities acquisition	1,610	18,234	1,001,185	313,003	7,541	-	92,880	232,035	208,728	106,573
Long-term debt:										
Principal	135,000	125,000	-	-	-	-	-	-	-	-
Interest and other charges	19,500	21,800	34,385	-	-	-	-	-	-	-
AEA flowthrough	104,342	104,933	101,082	101,252	116,550	115,289	106,450	103,923	101,666	99,831
Total expenditures	<u>3,660,051</u>	<u>3,732,028</u>	<u>4,273,743</u>	<u>3,654,725</u>	<u>2,764,413</u>	<u>2,859,521</u>	<u>2,876,848</u>	<u>3,313,901</u>	<u>3,131,335</u>	<u>2,847,505</u>

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Independent Auditor's Report on Internal Control
Over Financial Reporting and on compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Education of
Aurelia Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Aurelia Community School District and of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 30, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Aurelia Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Aurelia Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Aurelia Community School District's Internal Control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying Schedule of Findings and Responses as items I5-I-A and I5-I-B to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Aurelia Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on

compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Finding and Responses.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Aurelia Community School District's Responses to the Findings

Aurelia Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Responses. Aurelia Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Aurelia Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

June 30, 2016

AURELIA COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2015

Part I: Findings Related to the Financial Statements:

Internal Control Deficiencies:

15-I-A Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, payroll processing, preparing and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

Recommendation: We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

District Response: We will continue to review our procedures and implement additional controls where possible.

Conclusion: Response accepted.

15-I-B Financial Statement Preparation: Financial statement preparation is the responsibility of the District. At the present time District personnel do not have the skills necessary to be able to write the District's financial statements and the related note disclosures. This is not an unusual situation for small governmental entities.

Recommendation: District personnel should attend any governmental accounting and reporting training sessions that may be offered by the Iowa Department of Education, State Auditor's Office or Iowa Association of School Business Officials. The school business office should also have governmental accounting and reporting reference materials.

District Response: As a school we certainly understand the need for continuing education classes for all of our staff. However, we have a limited budget and must continually prioritize needs. At this point in time it is not cost effective to train our staff to the level necessary that would enable them to write the financial statements, nor is it feasible to hire additional employees that already possess the skills.

Conclusion: Response accepted.

Instances of Noncompliance:

No matters were reported.

AURELIA COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2015

Part II: Other Findings Related to Required Statutory Reporting:

- 15-II-A Certified Budget: Expenditures for the year ended June 30, 2015 did not exceed the certified budget.
- 15-II-B Questionable Expenditures: No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- 15-II-C Travel Expenses: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- 15-II-D Business Transactions: No business transactions between the District and District officials or employees were noted.
- 15-II-E Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 15-II-F Board Minutes: No transactions requiring board approval that had not been approved by the board were noted.
- 15-II-G Certified Enrollment: No variances in the basic enrollment data certified to the Department of Education were noted.
- 15-II-H Supplementary Weighting: No variances regarding supplementary weighting certified to the Department of Education were noted.
- 15-II-I Deposits and Investments: We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- 15-II-J Certified Annual Report: The CAR was certified to the Iowa Department of Education timely.
- 15-II-K Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- 15-II-L Statewide Sales, Services and Use Tax: No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2015, the following information includes the amounts reported for the statewide sales, services and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2015 audit:

AURELIA COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Responses

Year ended June 30, 2015

Part II: Other Findings Related to Required Statutory Reporting (continued):

	\$	\$
Beginning balance		500,193
Revenues/transfers in:		
Statewide sales, services and use tax revenue		<u>231,589</u>
Expenditures/transfers out:		
Transfers out	158,054	
Other	<u>35,509</u>	<u>193,563</u>
Ending balance		<u>538,219</u>

For the year ended June 30, 2015, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.